

Millions of families to benefit as government acts to drive down energy bills

- Government to tackle 'loyalty penalty' for 15 million households on default tariffs paying hundreds of pounds more a year for their energy
- ministers to consult on plans to help households find cheaper deals, including testing automatic switching
- new legislation will create option to extend the energy price cap, helping households on the most expensive tariffs save up to £100 a year

Business and Energy Secretary Kwasi Kwarteng today (23 July) published proposals to trial automatic switching for customers on expensive default energy tariffs to cheaper deals.

While around 5.8 million households switched energy supplier last year, taking advantage of savings worth on average £290, research by regulator Ofgem suggests that less than half of British households regularly shop around for a better energy deal. The government is determined to tackle the 'loyalty penalty', where energy companies place longstanding customers on the most expensive tariffs.

Under plans published today, trials of a new system will take place in 2024, in which some consumers on costly tariffs would be automatically switched to cheaper ones on the market unless they opt out.

The proposals also include creating a framework for 'opt-in switching' by 2024, where consumers on the most expensive tariffs would receive personalised switching advice to switch to a better value tariff following recent Ofgem trials that led to greater consumer engagement with the energy market.

The move is designed to protect customers from rip-off energy deals, saving consumers money on their energy bills, and increase competition by encouraging suppliers to introduce fairer but also greener tariffs. Ministers hope the plans will also mean that more consumers will switch to tariffs powered by renewable electricity, as part of efforts to tackle climate change.

The proposals were published as the Business and Energy Secretary announced that the Energy Price Cap, introduced in 2019 to protect the 15 million British households on default tariffs, could continue for longer – ensuring households on the highest tariffs save between £75 and £100 a year on dual fuel bills.

New legislation is planned to allow the cap to continue beyond 2023 if needed, so that consumers who do not shop around for the best deals on their energy – including those who opt out of any future automatic switching system

– are protected from rip off tariffs.

Business and Energy Secretary Kwasi Kwarteng said:

We want to unleash a wave of competition within the energy market and keep energy bills low so households across the UK can keep more money in their back pockets.

Although more of us are now shopping around for the cheapest tariffs, the existence of better deals on the market is not sufficient in itself to drive consumer behaviour. That's why we will make the switching process even easier so we can tackle the 'loyalty penalty' and ensure everyone pays a fair price for powering their homes.

An automatic switching system would ensure households get a fair deal, while new Price Cap legislation will enable continued protection until we're confident the market is sufficiently competitive.

In another move to better protect the most vulnerable energy consumers, the government is also extending the Warm Home Discount Scheme, which will knock £150 off the electricity bills of many pensioners and low-income families, until 2026 – supporting an extra 750,000 consumers. A total of three million households will now benefit from the scheme.

Minister of State for Energy, Anne Marie Trevelyan, said:

Our efforts to eliminate this country's contribution to climate change can help us build back greener, but also can be of benefit to consumers.

Automatic switching trials, with the option to opt-out if people prefer, will reduce energy bills for thousands of households. But it could also lead to greater take-up of greener tariffs, making the most of the great strides we have made in renewable energy to put more pounds in people's pockets.

The opt-in switching plans will look to scale up the successes of Ofgem trials in 2018/2019, which showed that when customers are contacted and given options for switching through simple, well designed letters and emails, they are 5 to 10 times more likely to switch to a cheaper tariff than those who were not.

Director of Energy at energyhelpline, Tom Lyon, said:

Opt-in switching is a proven initiative that will drive positive outcomes for the most disengaged consumers. We welcome these

proposals and believe they could generate levels of long-term competition into the energy market like we've never seen before.

Previous opt-in switching trials helped significant numbers of consumers switch energy suppliers than otherwise would have; a widespread rollout will empower customers to drive down the cost of their bills.

The plans come alongside a new [Energy Retail Strategy](#) published today, which builds on the Energy White Paper. This will help create a fairer retail energy market, with greater competition and innovation and encouraging a move towards greener energy tariffs. It aims to better protect consumers from excessive bills as the UK transitions to a smart energy system as the government takes steps to eliminate the UK's contribution to climate change by 2050.

Significant progress has been made in recent years in reforming the retail energy market, with 22.2 million smart meters being installed in homes, and the number of households switching rising from 4.4 million in 2016 to 5.8 million last year. Many energy suppliers have made their cost and pricing systems fairer, with more of a focus on winning new customers and less on relying on existing default customers. However, ministers believe there is still further to go.

Today's proposals come alongside other measures to encourage greater engagement from consumers, including:

- Ofgem's faster, hassle-free switching programme, which will significantly shorten the time it takes to switch
- continuing the smart meter rollout, helping suppliers collect electricity customers' usage as regularly as every half an hour to better manage supply and demand, saving consumers up to £4.5 billion a year
- smart data initiatives to allow consumers to more easily share their energy usage data with price comparison sites to help them get the best deal
- read the [Retail Energy Strategy](#) and the [switching consultation](#)
- [research by Ofgem in 2018](#) showed that consumers on default tariffs (currently 15 million households) had been overpaying the energy companies around £1.5 billion a year before the introduction of the Energy Price Cap. They also concluded that a typical household on a default tariff would save £75 to £100 following the introduction of the cap
- read further detail on the [Ofgem switching trials in 2018/19](#)
- the price cap was introduced in 2019 and is updated by energy regulator Ofgem every 6 months to reflect changes in the cost of supplying energy. Each year a review is conducted on whether the conditions for effective competition in the domestic energy market are met, if the Secretary of State decides they are not then the cap is extended for another year, until the end of 2023

- the proposed new legislation would enable extensions beyond this. Over coming months, the government will consider how new legislation should enable retention or removal of the price cap beyond 2023
- opt-in switching and testing opt-out switching were measures announced in [December 2020 Energy White Paper](#). These policies are still subject to Parliamentary time and approval, and planning and design development